The potential for the digital music market in Brazil is enormous and the likes of Spotify are eyeing the opportunities in a region that could yield greater user numbers than many European territories.

In 2016, Latin America was, for the seventh year running, the world’s fastest-growing market for recorded music, with a 12% increase in revenue according to the IFPI. And yet Brazil, the region’s biggest market by some distance, with overall revenue of $229.8m compared to $133.5m in Mexico, saw income from recorded music drop for the second consecutive year, with a 2.8% decline in 2016 coming after a 1.8% fall in 2015. It is a result that seems troubling, almost perverse, when compared to the region’s overall continued strength.

There are, it is true, some mitigating circumstances in Brazil’s decline. Performance rights, which made up 37% of Brazil’s total recorded music income in 2016, were boosted in 2013 and 2014 by settlements with TV and cable TV broadcasters, helping the market to steep, albeit artificial, increases.

What’s more, revenue from physical music sales and downloads in Brazil fell sharply in 2016 (down 43.2% and 44.5% respectively), a result that Brazilian recorded music association Pró-Música Brasil said reflects the country’s wider economic malaise, with the Brazilian economy contracting 3.8% in 2015 and 3.6% last year according to the World Bank.

“The unfavourable economic scenario is certainly the most important reason for the decline in physical and download sales,” says Paulo Rosa, president of Pró-Música Brasil. “There was a general drop in consumption in practically all economy sectors in the last couple of years.”

Looking to the positives, as the Brazilian music industry tends to, you can point to a 52.4% increase in streaming revenue in the country last year, which took total streaming revenue to $90.86m. Of this, some $60.67m came from subscription audio streams, which suggests that the Brazilian music industry is having success in converting free users to paid.

Henrique Fares Leite, head of music industry relations, Latin America, for Deezer, says that the streaming boom was a result of “services delivering more localised content, artists using streaming platforms to promote their music, smartphone adoption rate increasing with consumers accessing music through their smartphones and other screens”.

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Henrique Fares Leite, Deezer
with 24m broadband connections, 28m active tablets and 106m smartphones, in 2016 figures. Obviously the potential for the digital music market is enormous and growth rates in digital revenues have demonstrated this quite clearly."

No wonder, then, that Brazil is one of a number of developing countries to have aroused the interest of Spotify, with the company’s director of economics Will Page recently telling the IFPI that Spotify was “looking at the possibility of Brazil and Mexico potentially overtaking the UK and Germany in terms of user numbers”.

“That’s not to the detriment of the UK and Germany: it’s all about the unexpected and exceptional performance of Brazil and Mexico,” he added. “They’re bigger countries, of course, but whilst their infrastructure is much less developed, their smartphone adoption is escalating at a much faster rate, driving access to services like Spotify.”

Warner Music Brazil president Sérgio Affonso Fernandes says he is “hugely optimistic about the long-term future for the digital music industry in Brazil”. “Digital infrastructure is improving all the time and this opens opportunities for us to grow the business beyond the affluent early-adopter audience to the mainstream public,” he says. “We are working with our partners to ensure that music fans can access services that are affordable and easy to use. We are also investing more in artists and repertoire so that we have great new music to offer fans.”

2017 could potentially see the Brazilian music industry return to growth: Pró-

Música Brasil says “expectations are positive” for the first half of the year, while Fernandes says Warner Music has had a great start to 2017 in Brazil, thanks to international stars like Ed Sheeran and local artists including Anitta, Ludmila and Paula Mattos. “We’re hopeful that the second half of the year will also be strong for us,” he adds. “I also believe that, across the industry as a whole, we’ll see revenues increase this year.”

Parallel to this, the Brazilian economy as a whole is expected to show some growth in 2017, with the Brazilian Central Bank forecasting GDP growth of 0.39% this year. It is a combination that gives grounds for optimism, despite the two difficult years Brazil has faced. “Brazil has been going through some challenging economic times and that has obviously had an impact on the market,” says Fernandes. “The economy is expected to return to growth slowly this year and a little more next year, and that makes us optimistic for the future.” :)